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# Message Text

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46
ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 PRS-01 PA-01 ABF-01 FEAE-00

INT-05 NEA-10 AGR-05 ( ISO ) W
---------- 090658
R 051443Z FEB 76
FM AMEMBASSY MADRID
TO SECSTATE WASHDC 4525
INFO USMISSION EC BRUSSELS
AMEMBASSY LISBON
USMISSION OECD PARIS
AMCONSUL BARCELONA

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E.0. 11652: N/A
TAGSS: ECON, EFIN, ELAB, SP
SUBJ: FINANCE MINISTER ELABORATES ON GOS ECONOMIC POLICY,
DISCOUNTS RUMORS OF PESETA DEVALUATION

REF: A) MADRID 9089, DEC 31QOUTV B) MADRID 0680

1. SPEAKING ON GOS ECONOMIC POLICY AT A JANUARY 30 MEETING
OF THE MADRID MANAGEMENT CLUB, FINANCE MINISTER VILLAR MIR
REPEATED HIS EARLIER VIEWS OF SPAIN'S PRINCIPAL ECONOMIC PROBLEMS
AND THE POLICIES NECESSARY TO COPE WITH THEM (REF A).
HOWEVER, HE PUT THME IN THE CONTEXT OF MEANS TO ACHIEVE
GOVERNMENT'S ANNOUNCED PRIORITY GOALS OF FULL EMPLOYMENT AND
A MORE JUST DISTRIBUTION OF ECONOMIC BURDEN
AND BENEFITS (REF B).

2. VILLAR MIR REITERATED HIS EARLIER STATEMENT THAT SPAIN
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HAS BEEN LIVING BEYOND ITS MEANS, AND THAT DOMESTIC CONSUMPT-

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ION MUST BE MODERATED IN ORDER TO SAVE, INVEST, AND EXPORT MORE, AND TO CONTAIN INFLATION, BALANCE OF PAYMENTS DEFICITS, AND A GROWING EXTERNAL DEBT. WHILE A MORE JUST DISTRIBUTION OF THE ECONOMIC BURDEN COULD BE FURTHERED BY TAX REFORM HE SAID, SCHIEVING FULL EMPLOYMENT REQUIRES INCREASED SAVINGS FOR INVESTMENT IN SOCIAL INFRASTRUCTURE, AGRICULTURE, BASIC INDUSTRIES, AND ENERGY. HE REPEATED HIS FORECAST OF 4 PERCENT REAL GROWTH IN GNP TOGETHER WITH A FALLING RATE OF INFLATION FOR 1976.

3. VILLAR MIR DENIED RECENT RUMORS THT THE GOS IS CONSIDERING A 10 TO 15 PERCENT DEVALUATION OF THE PESETA. WHILE BENEFITING SOME SPECIFIC SECTORS OF THE ECONOMY, SUCH ACTION, HE SAID, WOULD INCREASE INFLATION AND AGGRAVATE SPAIN'S ALREADY LARGE BALANCE OF PAYMENTS DEFICITS.

4. COMMENT: SOME GOVERMENT OFFICIALS, AS WELL AS PRIVATE SPANISH BANKS WHICH ANALYZE SPANISH ECONOMIC DEVELOPMENTS, BELIEVE THAT A REAL GROWTH RATE OF 1 TO 2.5 PERCENT IN GNP IS A MORE REALISTIC FORECAST FOR THIS YEAR.
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# Message Attributes

**Automatic Decaptioning:** X
**Capture Date:** 01 JAN 1994
**Channel Indicators:** n/a
**Current Classification:** UNCLASSIFIED
**Concepts:** SPEECHES, ECONOMIC PROGRAMS, DEVALUATION RUMORS, PESETA
**Control Number:** n/a
**Copy:** SINGLE
**Draft Date:** 05 FEB 1976
**Decaption Date:** 01 JAN 1960
**Decaption Note:**
**Disposition Action:** RELEASED
**Disposition Approved on Date:**
**Disposition Authority:** morefirh
**Disposition Case Number:** n/a
**Disposition Comment:** 25 YEAR REVIEW
**Disposition Date:** 28 MAY 2004
**Disposition Event:**
**Disposition History:** n/a
**Disposition Reason:**
**Disposition Remarks:**
**Document Number:** 1976MADRID00923
**Document Source:** CORE
**Document Unique ID:** 00
**Drafter:** n/a
**Enclosure:** n/a
**Executive Order:** N/A
**Errors:** N/A
**Film Number:** D760046-0435
**From:** MADRID
**Handling Restrictions:** n/a
**Image Path:**
**ISecure:** 1
**Legacy Key:** link1976/newtext/t19760279/aaaacrqv.tel
**Line Count:** 82
**Locator:** TEXT ON-LINE, ON MICROFILM
**Office:** ACTION EUR
**Original Classification:** LIMITED OFFICIAL USE
**Original Handling Restrictions:** n/a
**Original Previous Classification:** n/a
**Original Previous Handling Restrictions:** n/a
**Page Count:** 2
**Previous Channel Indicators:** n/a
**Previous Classification:** LIMITED OFFICIAL USE
**Previous Handling Restrictions:** n/a
**Reference:** 76 MADRID 9089, 76 MADRID 680
**Review Action:** RELEASED, APPROVED
**Review Authority:** morefirh
**Review Comment:** n/a
**Review Content Flags:**
**Review Date:** 24 MAR 2004
**Review Event:**
**Review Exemptions:** n/a
**Review History:** RELEASED <24 MAR 2004 by ElyME>; APPROVED <27 MAY 2004 by morefirh>
**Review Markings:**

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US Department of State
EO Systematic Review
04 MAY 2006

**Review Media Identifier:**
**Review Referrals:** n/a
**Review Release Date:** n/a
**Review Release Event:** n/a
**Review Transfer Date:**
**Review Withdrawn Fields:** n/a
**Secure:** OPEN
**Status:** NATIVE
**Subject:** FINANCE MINISTER ELABORATES ON GOS ECONOMIC POLICY, DISCOUNTS RUMORS OF PESETA DEVALUATION
**TAGS:** ECON, EFIN, ELAB, SP, (VILLAR MIR, JUAN MIGUEL)
**To:** STATE
**Type:** TE
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

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